

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Tamarack District Library	County Montcalm
Fiscal Year End June 30, 2007	Opinion Date August 14, 2007	Date Audit Report Submitted to State September 7, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

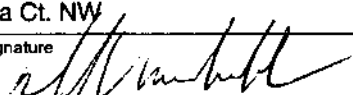
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Vredeveld Haefner LLC		Telephone Number 616-446-7474		
Street Address 4001 Granada Ct. NW		City Grand Rapids	State MI	Zip 49534
Authorizing CPA Signature 		Printed Name Douglas J. Vredeveld		License Number 21289

**TAMARACK DISTRICT LIBRARY
LAKEVIEW, MICHIGAN**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

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INDEPENDENT AUDITORS' REPORT

August 14, 2007

Members of the Library Board
Tamarack District Library
Lakeview, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tamarack District Library, Lakeview, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Tamarack District Library. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund for the Tamarack District Library as of June 30, 2007, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 14, 2007, on our consideration of the Tamarack District Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Vredeveld Haefner LLC

Management's Discussion and Analysis

About the Library

Tamarack District Library (the "Library") serves the Village of Lake View and all or portions of seven surrounding townships in Montcalm or Mecosta Counties, Michigan. The Library was established as a District Library under the District Library Establishment Act in 1999. The Library is governed by an eight member board with members appointed by participating municipalities.

Financial Highlights

- 2007 was the first year of the Library operating millage which resulted in a substantial increase in taxes being collect by the Library
- Construction of the new library facility began in June, 2007.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information (this management discussion and analysis) in addition to the basic financial statements themselves.

Government-wide financial statements

The *Government-wide financial statements* are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Library's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Library that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Library currently has no business-type activities.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Library only utilizes governmental funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Library's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Library's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This is limited to this discussion and analysis.

Government-wide Financial Analysis

The following table presents condensed information about the Library's financial position for the past two (2) fiscal years. Net assets increased \$185,329 during the year. Total net assets include the investment in capital assets. Capital assets represents the capital assets held by the Library, net of related accumulated depreciation

	<u>2007</u>	<u>2006</u>
Current and other assets	\$468,345	\$273,066
Capital assets	396,363	307,018
Total assets	864,708	580,084
Current and other liabilities	95,825	125,854
Long-term liabilities	129,324	-
Total liabilities	225,149	125,854
Net assets		
Invested in capital assets, net of related debt	267,039	307,018
Restrict for capital projects	24,318	35,927
Unrestricted	348,202	111,285
Total net assets	\$639,559	\$454,230

Income and Expenses

The Library has maintained a stable financial position during the year ended June 30, 2007. Income was sufficient to meet the current expenses. A summary of revenues and expenses for the past two (2) fiscal years is presented below.

	<u>2007</u>	<u>2006</u>
Program revenues		
Charges for services	\$ 17,102	\$ 12,984
Grants	90,460	36,309
General revenues		
Property taxes	229,722	115,272
Penal fines	58,413	67,359
Other general revenues	20,982	15,954
Total revenues	<u>416,679</u>	<u>247,878</u>
Functions/program expenses		
Library	231,350	215,006
Total expenses	<u>231,350</u>	<u>215,006</u>
Change in net assets	185,329	32,872
Net assets, beginning of year	454,230	421,358
Net assets, end of year	<u>\$639,559</u>	<u>\$454,230</u>

General Fund Budgetary Highlights

Differences between the original and final amended budgets were due to a delay in both the construction of the new library and issuance on the bonds required to finance the construction project.

Capital Asset and Long-Term Debt Activities

During the year the Library began construction of the new library facility which is being financed through both contributions and issuance of bonds through the United States Department of Agriculture. Current year additions to construction in progress for the facility project and bonds issued to finance the project were \$92,110 and \$129,324 respectively.

Economic Factors and Next Year's Budget

Funding for the Library bond debt service is expected to be collected for the first time in 2008. Cost of operating the new facility is expected to increase as a result of the significant increase in facility square footage.

Contacting the Library Management

This management discussion and analysis provides an overview of the current and prospective financial condition of the Library's operations and financial position. If there are questions concerning this report or if additional information is desired, please contact Sherry Mountney, Tamarack District Library, 407 S. Lincoln, PO Box 469, Lakeview, MI 48850.

BASIC FINANCIAL STATEMENTS

TAMARACK DISTRICT LIBRARY

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Primary Government Governmental Activities
Assets	
Cash and certificates of deposit	\$ 462,021
Due from other governments	6,324
Capital assets, net	
Land	134,996
Construction in progress	212,327
Buildings, equipment and infrastructure	<u>49,040</u>
Total assets	<u>864,708</u>
Liabilities	
Accounts payable and accrued expenses	95,825
Noncurrent liabilities	
Due within one year	40,000
Due in more than one year	<u>89,324</u>
Total liabilities	<u>225,149</u>
Net Assets	
Invested in capital assets, net of related debt	267,039
Restricted for capital projects	24,318
Unrestricted	<u>348,202</u>
Total net assets	<u>\$ 639,559</u>

The accompanying notes are an integral part of these financial statements.

TAMARACK DISTRICT LIBRARY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

<u>Functions/ Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities					
Library	\$ 231,350	\$ 17,102	\$ 3,026	\$ 87,434	\$ (123,788)
Total primary government	<u>\$ 231,350</u>	<u>\$ 17,102</u>	<u>\$ 3,026</u>	<u>\$ 87,434</u>	<u>(123,788)</u>
 General revenues					
Property taxes					229,722
County penal fines					58,413
State revenues					7,962
Interest earnings					<u>13,020</u>
 Total general revenues and transfers					<u>309,117</u>
 Change in net assets					185,329
 Net assets, beginning of year					<u>454,230</u>
 Net assets, end of year					<u>\$ 639,559</u>

The accompanying notes are an integral part of these financial statements.

TAMARACK DISTRICT LIBRARY

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2007

	<u>General</u>	<u>Library Construction</u>	<u>Total</u>
Assets			
Cash and certificates of deposit	\$ 327,456	\$ 134,565	\$ 462,021
Due from other funds	22,522	-	22,522
Due from other governments	<u>-</u>	<u>6,324</u>	<u>6,324</u>
Total assets	<u>\$ 349,978</u>	<u>\$ 140,889</u>	<u>\$ 490,867</u>
 Liabilities and fund balance			
Liabilities			
Accounts payable and accrued liabilities	\$ 1,776	\$ 94,049	\$ 95,825
Due to other funds	<u>-</u>	<u>22,522</u>	<u>22,522</u>
Total liabilities	1,776	116,571	118,347
 Fund balances			
Unreserved			
Undesignated	<u>348,202</u>	<u>24,318</u>	<u>372,520</u>
Total liabilities and fund balance	<u>\$ 349,978</u>	<u>\$ 140,889</u>	<u>\$ 490,867</u>

The accompanying notes are an integral part of these financial statements.

TAMARACK DISTRICT LIBRARY

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

JUNE 30, 2007

Fund balances - total governmental funds	\$ 372,520
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	396,363
Certain liabilities, such as bonds, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - Bonds payable	<u>(129,324)</u>
Net assets of governmental activities	<u>\$ 639,559</u>

The accompanying notes are an integral part of these financial statements.

TAMARACK DISTRICT LIBRARY

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Library Construction</u>	<u>Total</u>
Revenues			
Taxes	\$ 218,226	\$ -	\$ 218,226
Intergovernmental			
State revenues	7,962	-	7,962
County penal fees	58,413	-	58,413
Township	11,496	-	11,496
Fees and charges	13,474	-	13,474
Interest	10,579	2,441	13,020
Donations and miscellaneous	6,943	87,145	94,088
Total revenues	<u>327,093</u>	<u>89,586</u>	<u>416,679</u>
Expenditures			
Current			
Library			
Personnel	108,502	-	108,502
Contractual	15,038	25,591	40,629
Supplies and other	76,980	-	76,980
Capital outlay	2,473	92,111	94,584
Total expenditures	<u>202,993</u>	<u>117,702</u>	<u>320,695</u>
Revenues over (under) expenditures	<u>124,100</u>	<u>(28,116)</u>	<u>95,984</u>
Other financing sources (uses)			
Bond issue	-	129,324	129,324
Transfers in	112,817	-	112,817
Transfers out	-	(112,817)	(112,817)
Total other financing sources (uses)	<u>112,817</u>	<u>16,507</u>	<u>129,324</u>
Net changes in fund balances	236,917	(11,609)	225,308
Fund balances, beginning of year	<u>111,285</u>	<u>35,927</u>	<u>147,212</u>
Fund balances, end of year	<u>\$ 348,202</u>	<u>\$ 24,318</u>	<u>\$ 372,520</u>

The accompanying notes are an integral part of these financial statements.

TAMARACK DISTRICT LIBRARY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

Net changes in fund balances - total governmental funds	\$ 225,308
Amounts reported for <i>governmental activities</i> in the statement of activities are different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	92,110
Deduct - depreciation expense	(2,765)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets.	
Deduct - proceeds of bonds	<u>(129,324)</u>
Change in net assets of governmental activities	<u>\$ 185,329</u>

The accompanying notes are an integral part of these financial statements.

TAMARACK DISTRICT LIBRARY

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ 337,000	\$ 337,000	\$ 218,226	\$ (118,774)
Intergovernmental				
State revenues	7,000	7,000	7,962	962
County penal fees	66,000	66,000	58,413	(7,587)
Township	10,800	10,800	11,496	696
Fees and charges	6,600	6,600	13,474	6,874
Interest	3,000	3,000	10,579	7,579
Donations and miscellaneous	500	500	6,943	6,443
Total revenues	<u>430,900</u>	<u>430,900</u>	<u>327,093</u>	<u>(103,807)</u>
Expenditures				
Current				
Library				
Personnel	113,574	110,074	108,502	1,572
Contractual	23,250	19,755	15,038	4,717
Supplies and other	73,906	92,769	76,980	15,789
Capital outlay	73,000	78,400	2,473	75,927
Debt service	135,000	-	-	-
Total expenditures	<u>418,730</u>	<u>300,998</u>	<u>202,993</u>	<u>98,005</u>
Revenues over (under) expenditures	<u>12,170</u>	<u>129,902</u>	<u>124,100</u>	<u>(5,802)</u>
Other financing sources (uses)				
Transfers in	-	-	112,817	112,817
Net changes in fund balance	12,170	129,902	236,917	107,015
Fund balance, beginning of year	<u>111,285</u>	<u>111,285</u>	<u>111,285</u>	<u>-</u>
Fund balance, end of year	<u>\$ 123,455</u>	<u>\$ 241,187</u>	<u>\$ 348,202</u>	<u>\$ 107,015</u>

The accompanying notes are an integral part of these financial statements.

TAMARACK DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Tamarack District Library, Lakeview, Michigan (the "Library") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Tamarack District Library. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the Library.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues are reported in total. The Library has no business-type or fiduciary activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

All individual governmental funds are reported as separate columns in the fund financial statements.

The Library reports the following major governmental funds

The *General Fund* is the general operating fund of the Library. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Library Construction Fund* accounts for the accumulation and disbursement of resources for the construction of a new library building.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resource as they are needed.

TAMARACK DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. County penal fines are recognized when received. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use a one year collection period. County penal fines and other revenues are recognized when received. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include: (1) principal and interest on long-term debt which is recognized when due.

All Governmental Funds are accounted for on a spending or "flow of financial resources" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available, spendable resources".

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available, spendable resources" during a period.

Budgets and Budgetary Accounting

Comparisons to budget are presented for the General Fund. The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Library Director submits to the Library board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the general funds.
5. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

TAMARACK DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

6. Adoption and amendments of all budgets used by the Library are governed by Michigan Law. The appropriations ordinances are based on the projected expenditures budget of the various functions of the Library. Any amendment to the original budget must meet the requirements of Michigan Law. The Library did amend its budget for the year ended June 30, 2007. Any revisions that alter the expenditures at the activity level within the general fund must be approved by the Library Board.

Deposits and Investments

State statutes authorize the Library to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The Library's investment policy is more restrictive than state requirements and allows for investment in only those investment vehicles identified in items a. and b. above.

Capital Assets

Capital assets, which include property, and, equipment are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

TAMARACK DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	40
Equipment	5

Property Taxes

The Library receives an allocation of the county-wide property taxes collected by Montcalm County along with an operating millage from the townships within their service area. Property taxes are levied and become an enforceable lien on December 1. Taxes are payable by February 15. Real property taxes not collected as of March 1 are turned over to the County for collection, which advances the Library 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the townships. The Library also received a payment in lieu of property taxes from the State of Michigan for property located within a renaissance zone. Property tax revenues are recognized as revenue in the year for which they are levied.

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers. Transfers recorded in the financial statements represent repayment from the capital projects fund to the general fund for capital outlay expenditures associated with construction of the new library. Due to other funds and due from other funds at year end represent short term borrowing between the funds.

Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Long-Term Obligations

In the government-wide financial statements the long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current

TAMARACK DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2007, the Library carried commercial insurance to cover risks of losses. The Library has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

2. DEPOSITS AND INVESTMENTS

The balance on the financial statements for cash and certificates of deposit is \$462,021.

This balance is in two financial institutions located in Michigan. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Library and a specific fund or common account. They are recorded in Library records at fair value.

Deposit risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. As of year-end, \$316,788 of the Library's bank balance of \$469,410 was exposed to custodial credit risk because it was uninsured and uncollateralized.

3. LONG-TERM DEBT

The following is a summary of the debt transactions of the Library for the year ended June 30, 2007.

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year
Governmental Activities					
Library Improvement Bonds, Series 2007.					
Payments due in annual installments of					
\$40,000 to \$85,000 through June 1, 2037;					
interest at 4.125%,	\$ -	\$ 129,324	\$ -	\$ 129,324	\$ 40,000

The series 2007 bonds were issued through a United States Department of Agriculture program which provides for bond proceeds to be received as the library construction project progresses to a maximum amount of \$2,300,000. The following future minimum payment schedule only includes debt outstanding at June 30, 2007.

TAMARACK DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

The annual requirements to amortize all debt outstanding as of June 30, 2007 are as follows:

Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 40,000	\$ 5,075
2009	40,000	3,424
2010	45,000	1,774
2011	4,324	300
Total	\$ 129,324	\$ 10,573

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Governmental activities				
Capital assets, not being depreciated				
Land	\$134,996	\$ -	\$ -	\$134,996
Construction in Progress	120,217	92,110	-	212,327
Total capital assets, not being depreciated	255,213	92,110	-	347,323
Capital assets, being depreciated				
Building and improvements	50,000	-	-	50,000
Equipment	7,575	-	-	7,575
Total capital assets, being depreciated	57,575	-	-	57,575
Less accumulated depreciation for				
Building and improvements	4,255	1,250	-	5,505
Equipment	1,515	1,515	-	3,030
Total accumulated depreciation	5,770	2,765	-	8,535
Net capital assets, being depreciated	51,805	(2,765)	-	49,040
Governmental activities capital assets, net	\$307,018	\$89,345	\$ -	\$396,363

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
Library	<u>\$ 2,765</u>

5. COMMITMENTS

As of year end the Library had outstanding commitments of approximately \$1,620,000 for construction of a new library building.

CONTROL AND COMPLIANCE SECTION



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

August 14, 2007

Members of the Library Board
Tamarack District Library
Lakeview, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tamarack District Library, Lakeview, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Tamarack District Library's basic financial statements and have issued our report thereon dated August 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tamarack District Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tamarack District Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tamarack District Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Tamarack District Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Tamarack District Library's financial statements that is more than inconsequential will not be prevented or detected by the Tamarack District Library's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Tamarack District Library's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency noted above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tamarack District Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Tamarack District Library, in a separate letter dated August 14, 2007.

The Tamarack District Library's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Tamarack District Library's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Library board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Orlando Haefner LLC

TAMARACK DISTRICT LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2007

Finding 2007-1

New auditing standards emphasize that management is responsible for establishing, maintaining, and monitoring internal controls for the fair presentation in the financial statements of financial position, results of operations, including the notes to the financial statements in conformity with U.S. generally accepted accounting principles (GAAP) and that the auditor cannot be a part of those internal controls.

We noted that the Library was not recording entries necessary to prepare fund basis financial statements on the modified accrual basis of accounting or to prepare entity-wide financial statements on the accrual basis of accounting.

Management response: We have determined that the cost of completing GAAP basis financial statements internally outweighs the benefit to be received.



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August 14, 2007

To the Library Board
Tamarack District Library
Lakeview, MI

In planning and performing our audit of the financial statements of the Tamarack District Library, for the year ended June 30, 2007, we noted certain matters involving internal control and/or operations which we would like to bring to your attention. These matters were reviewed with management and we will review these matters during future audits.

ACCOUNTING AND FINANCIAL REPORTING

During our audit we noted that the Library was contracting for accounting services which included monthly compilation of the general fund activities. We also noted that the activity of the construction fund was being separately compiled by the Library Treasurer. We suggest that the Library examine accounting software alternatives to allow for internal maintenance of accounting records and periodic reporting of Library operations.

This report is intended solely for the information and use of the Library Board and Management of the Library, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Vredeveld Haefner LLC